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# TELEBRAS HOLDRS

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Dated: June 30, 1998

## INFORMATION CIRCULAR

# Telebrás **HOLDRs**<sup>SM</sup>

Telebras **HOL**ding Company Depositary Receipts<sup>SM</sup> ("HOLDRs") are depositary receipts issued by The Bank of New York (the "Depository"). Application has been made to list the Telebras HOLDRs on the New York Stock Exchange ("NYSE") under the symbol "TBH".

Telebras HOLDRs are designed to provide current owners of Telebras American depositary shares (currently listed on the New York Stock Exchange under the symbol "TBR") with a single, exchange-traded instrument that is expected to represent all of the Telebras subsidiaries that spin off in connection with Telebras' announced plan of reorganization.

Each HOLDR initially will represent one Telebras American Depositary Share (a "Telebras Share"). As Telebras spins off its subsidiaries in connection with its reorganization, each HOLDR is expected to represent the American depositary shares of all of such subsidiaries, as more fully described in this Information Circular.

Owners may elect to deposit all or a portion of their Telebras Shares (along with the applicable Coordination Fee described herein) in order to receive an equal number of Telebras HOLDRs. Owners of Telebras Shares wishing to receive Telebras HOLDRs should instruct their financial institution to deposit their Telebras Shares with the Depository pursuant to arrangements made with The Depository Trust Company ("DTC").

It is anticipated that the Telebras HOLDRs will be issued and will begin to trade on the NYSE on or about July 28, 1998. Current owners wishing to receive Telebras HOLDRs prior to the spin-off must deposit their Telebras Shares on or before July 27, 1998.

Before depositing their Telebras Shares, investors should consider the important information contained in this Information Circular. Questions may be directed to the Information Agent, who can be reached by telephone at the number listed below.

*Information Agent:*

**GEORGESON  
& COMPANY INC.**

Wall Street Plaza  
New York, New York 10005  
(800) 223-2064 (toll-free)  
Banks and Brokers call collect:  
(212) 440-9800

*Depository:*

**THE  
BANK OF  
NEW  
YORK**

101 Barclay Street  
New York, New York 10286  
(888) BNY-ADRS

<sup>SM</sup> "HOLDRs" and "HOLding Company Depositary Receipts" are service marks of Merrill Lynch & Co., Inc.

## WHAT'S HAPPENING WITH TELEBRAS?

- The Brazilian government has announced a plan to sell its controlling interest in Telecomunicações Brasileiras S.A. – Telebrás and reorganize the corporation into 12 separate holding company subsidiaries (the "Spin-Off Companies"). Current owners of Telebras Shares (currently listed on the New York Stock Exchange under the symbol "TBR") will receive the securities of each of these Spin-Off Companies.

## HOW DOES THIS AFFECT ME?

- It is anticipated that owners of Telebras Shares will receive 12 new American depositary shares, each representing the equity securities of one of the Spin-Off Companies, for each Telebras Share that they currently own.
- It is likely that there will be substantial volatility when the securities of the Spin-Off Companies begin to trade separately, and some of the Spin-Off Companies are likely to be less liquid than the Telebras Shares themselves.
- Owning and monitoring the American depositary shares of 12 separate Brazilian telecommunications companies in place of Telebras itself is likely to increase your expenses, particularly if and when you decide to sell the securities of the 12 separate Spin-Off Companies.

## WHAT OPTIONS DO I HAVE?

- If you are seeking to avoid some of the uncertainty and potential illiquidity associated with the Telebras reorganization, you have several options:
  - You can sell your Telebras Shares (thereby ending your investment in Telebras) prior to the date the Spin-Off Companies begin to trade separately.
  - You can hold the American depositary shares of each of the 12 Spin-Off Companies separately.
  - You can continue your current investment in Telebras and avoid many of the difficulties that may arise in connection with the reorganization by electing to deposit your existing Telebras Shares in order to receive an equal number of *Telebras HOLDERS – a single, exchange-traded instrument that is expected to represent the securities of all of the 12 Spin-Off Companies.*

## WHAT ARE HOLDERS?

- Telebras **HOLDing Company Depositary Receipts** are depositary receipts issued by The Bank of New York (the "Depositary").
- Application has been made to list the Telebras HOLDERS on the New York Stock Exchange (the "NYSE") under the symbol "TBH". It is anticipated that the Telebras HOLDERS will be issued and will begin to trade on the NYSE on or about July 28, 1998.
- Telebras HOLDERS initially will represent the Telebras Shares currently trading on the NYSE. As the Spin-Off Companies begin to trade in the United States, Telebras HOLDERS are expected to provide a single, exchange-traded instrument representing an investment in all of the Spin-Off Companies.

## WHAT ARE THE BENEFITS OF HOLDERS?

- Telebras HOLDERS offer you an alternative way to deal with the confusion relating to the Telebras reorganization.
- Telebras HOLDERS are designed to minimize the effect of market confusion associated with the spin-offs and reduce much of the expense and inconvenience of owning the securities of 12 Brazilian telecommunications companies.

## WHO CAN OWN HOLDRS?

- Owners of Telebras Shares may deposit all or a portion of their Telebras Shares (along with the applicable Coordination Fee described below) in order to receive an equal number of Telebras HOLDRs.
- If you wish to receive Telebras HOLDRs, you should simply instruct your financial institution to deposit your Telebras Shares with the Depositary through DTC on or before July 27, 1998.

## WHY SHOULD I DEPOSIT MY TELEBRAS SHARES IN ORDER TO RECEIVE HOLDRS?

- **Simplicity.** Telebras HOLDRs are expected to allow you to follow more easily the performance of Telebras and its Spin-Off Companies. Instead of tracking 12 different American depositary shares, you will be able to refer to a single price when evaluating your investment.
- **Liquidity.** An owner of the securities of the individual Spin-Off Companies will be subject to the risk that some of those companies will be less liquid than others. Telebras HOLDRs are expected to bundle the value and enhance the liquidity of the Spin-Off Companies through a single unit.
- **Transaction Costs.** The expenses associated with trading Telebras HOLDRs are likely to be less than trading each of the Spin-Off Companies separately.

## HOW MUCH WILL IT COST ME TO OBTAIN HOLDRS?

- One Telebras HOLDR will be issued for each Telebras Share deposited. You will be required to pay a Coordination Fee which will vary depending on the number of Telebras Shares that you deposit:

<u>Number of Shares</u>	<u>Coordination Fee (per Share)</u>
Up to 2,499	\$1.50
2,500 to 9,999	\$1.00
10,000 to 24,999	\$0.50
25,000 or more	\$0.10

- Your broker may retain a selling concession representing a portion of the Coordination Fee paid by you. The remainder of the Coordination Fee will be allocated between the Coordinator and the Depositary.

## WHO IS THE COORDINATOR AND WHAT IS ITS ROLE?

- Merrill Lynch, Pierce, Fenner & Smith Incorporated will act as Coordinator. The Coordinator is responsible for coordinating the process by which the Telebras HOLDRs will be issued by the Depositary and will pay certain expenses relating to the establishment of Telebras HOLDRs.

## ARE THERE ANY OTHER FEES ASSOCIATED WITH HOLDRS?

- An annual Custody Fee equal to \$0.02 or less per Telebras HOLDR will be payable to the Depositary and will be deducted from dividends paid on each Telebras HOLDR. Dividends paid by the Spin-Off Companies, if any, will be forwarded by the Depositary to owners of Telebras HOLDRs on a quarterly basis.
- If you choose to sell your Telebras HOLDRs on the NYSE, you should not be charged any fees other than the standard commission charged by your financial institution.
- Because a Telebras HOLDR is an American depositary receipt, you also may choose to surrender your Telebras HOLDRs to the Depositary and receive each of the underlying American depositary shares representing the Spin-Off Companies. A Cancellation Fee payable to the Depositary equal to \$0.10 or less per Telebras HOLDR will be charged. Cancellation Fees are calculated by rounding up to the nearest 100 Telebras HOLDRs canceled.

## WHAT ARE THE TAXES AND OTHER OWNERSHIP ISSUES?

- The deposit of Telebras Shares and the subsequent receipt of Telebras HOLDRs will not be a taxable event for United States federal income tax purposes. In addition, owners of Telebras HOLDRs will be treated for United States federal income tax purposes as owners of the securities represented by the Telebras HOLDRs. Therefore, you will not be subject to any additional taxes as a result of owning the Telebras HOLDRs.
- Ownership of Telebras HOLDRs will not, however, alter the tax consequences associated with the transactions contemplated by the Telebras reorganization plan. Accordingly, you are advised to consult your tax advisor regarding the tax consequences associated with the reorganization plan.
- The Coordination Fee payable to the Coordinator will be treated as part of the cost of Telebras HOLDRs and should be capitalized (i.e., included in your basis in the Telebras HOLDRs).
- The annual Custodian Fee payable to the Depositary will be treated as an expense incurred in connection with your investment in Telebras HOLDRs. Accordingly, such amount is deductible and, for individuals, will be allowed as a deduction only to the extent that the aggregate Custodian Fee and all other itemized deductions of such individual exceeds two percent of the individual's adjusted gross income tax for the tax year. In addition, for Federal income tax purposes you must include in your gross income, the full amount of dividends paid on each Telebras HOLDR even though the Custodian Fee will be deducted directly from such dividends.

## WHAT ARE SOME OF THE OTHER CONSIDERATIONS ASSOCIATED WITH HOLDRS?

- Telebras HOLDRs are American Depositary Receipts designed to represent the Telebras Shares and the American depositary shares of the Spin-Off Companies, and may provide certain advantages to the owners thereof with respect to liquidity and volatility. However, the Telebras HOLDRs are not expected, nor intended, to provide protection with respect to the risks associated with owning the Telebras Shares or the American depositary shares of the Spin-Off Companies.
- Telebras HOLDRs are expected to be listed on the NYSE and are expected to represent Telebras and all 12 Spin-Off Companies. However, in the event that the American depositary shares of one or more of the Spin-Off Companies are not listed on the NYSE, it may be necessary in certain situations to exclude one such Spin-Off Companies from the HOLDRs or even to delist the Telebras HOLDRs from the NYSE. In that event, Telebras HOLDRs may no longer offer some or all of the benefits to the owners thereof, or such benefits may be significantly reduced. See "Other Considerations" below.
- There may be a significant delay between the time any cash distribution is received by the Depositary with respect to the securities underlying the Telebras HOLDRs and the time such cash distributions are distributed to the owners of the Telebras HOLDRs.

## HOW DO I DEPOSIT MY TELEBRAS SHARES IN ORDER TO RECEIVE HOLDRS?

- Telebras owners wishing to deposit their Telebras Shares in order to receive Telebras HOLDRs should do so on or before July 27, 1998. Those who do not deposit their Telebras Shares on or before July 27, 1998 and wish to do so may have to wait up to 75 days or more after July 27, 1998. During that time, owners of Telebras Shares will have to monitor each of the American depositary shares of each Spin-Off Company that is spun off and will not have the benefits offered by the Telebras HOLDRs.
- Owners of Telebras Shares wishing to deposit their shares in order to receive Telebras HOLDRs should contact their financial institution or custodian and instruct them to deposit such Telebras Shares with the Depositary. Your financial institution will deposit the Telebras Shares with the Depositary on your behalf and deduct the applicable Coordination Fee from your account (or request a payment if you do not maintain a cash balance). Owners of Telebras Shares that are in physical possession of their Telebras Shares must deposit such shares with a DTC-eligible financial institution in order to participate.

## WHAT IF I CHANGE MY MIND?

- You may withdraw your election to receive Telebras HOLDRs in place of your Telebras Shares at any time prior to July 27, 1998. To withdraw your participation in the program, notify your financial institution and instruct them to withdraw your Telebras Shares. There will be no charges associated with withdrawal, and your financial institution will return the Coordination Fees that may have been debited from your account.

## DESCRIPTION OF HOLDRS

Telebras HOLDRs will be issued by The Bank of New York, as depositary, under a registration statement on Form F-6 and pursuant to the Deposit Agreement (as described below). When issued, each Telebras HOLDR will evidence one Telebras Share.

Telebras' announced plan of reorganization contemplates spinning off 12 Spin-Off Companies. It currently is expected that the equity securities of each Spin-Off Company will be represented by American depositary shares ("ADSs") that will be listed on the NYSE, and each Telebras HOLDR will represent all 12 of the Spin-Off Company ADSs. Under these circumstances, owners of the Telebras HOLDRs will have the advantage of owning a single security instead of the 12 Spin-Off Company ADSs individually. Further, it is possible that after all of the spin-offs, the corporate existence of Telebras (the existing holding company) will continue for some period of time. In that event, the Telebras HOLDRs will not only represent the Spin-Off Company ADSs, but it is expected that they will also continue to represent Telebras itself, although little or no assets may remain in Telebras.

It is possible that one or more of the ADSs of the Spin-Off Companies will not be listed on the NYSE. In that event, it is currently expected that the ADSs of such Spin-Off Companies will be included in the Telebras HOLDR. However, as a result of action either by the Securities and Exchange Commission or the NYSE, it is possible such ADSs will not be represented by the Telebras HOLDR and, in that case, certain of the expected advantages associated with owning the Telebras HOLDRs may be reduced. See "Other Considerations" herein.

In order to obtain Telebras HOLDRs prior to the spin-off, owners of Telebras Shares must contact their financial institution or custodian and instruct it to deposit their Telebras Shares with the Depositary on or before July 27, 1998. After being properly instructed, your financial institution or custodian will deposit your Telebras Shares and deduct the applicable Coordination Fee from your account. For further information about the amount of the Coordination Fee, see "How Much Will it Cost Me to Obtain HOLDRs?" herein. The broker of an owner depositing its Telebras Shares may retain a portion of the Coordination Fee representing a selling concession. For each Telebras Share properly deposited with the Depositary on or before July 27, 1998, an owner will receive one Telebras HOLDR on or about July 28, 1998. It is expected that the Telebras HOLDRs will begin to trade on the NYSE on that date.

On or prior to July 27, 1998, an owner of Telebras Shares that has deposited such shares with the Depositary may elect not to receive the Telebras HOLDRs and withdraw its Telebras Shares. To effect such a withdrawal, an owner should notify its financial institution or custodian of its desire to withdraw. In such an event, the Coordination Fee, including any selling concession that may have been paid to a withdrawing owners' broker, will be refunded by the financial institution or custodian to the owner's account.

## DESCRIPTION OF THE DEPOSIT AGREEMENT

The Deposit Agreement with respect to the issuance of the Telebras HOLDRs provides that the Telebras HOLDRs will represent the Telebras Shares. The Deposit Agreement also provides that the Telebras HOLDRs will represent the Spin-Off Company ADSs (the Telebras Shares and Spin-Off Company ADSs represented by the Telebras HOLDRs, collectively, the "Securities").

The Deposit Agreement entitles the owners of the Telebras HOLDRs (the "Owners") to receive, subject to certain limitations and net of fees of the Depositary, if any, distributions of cash (including dividends), securities or property, if any, made with respect to the Securities. In the case of cash distributions payable in respect of the Securities, the Depositary will use its reasonable efforts to ensure that it distributes such distributions no later than the end of the calendar quarter following the calendar quarter in which the Depositary receives such cash distribution. See "Other Considerations" herein. In the event that any tax or other governmental charge becomes due with respect to the Telebras HOLDRs or any Securities, such tax or governmental charge will be payable by the Owners.

Subject to certain terms, conditions and limitations set forth in the Deposit Agreement and subject to the payment of applicable fees, taxes or governmental charges, if any, an Owner may surrender its Telebras HOLDRs and receive the Securities evidenced by each Telebras HOLDR at that time. Specifically, an Owner wishing to surrender its Telebras HOLDRs in order to receive the Securities will pay to the Depositary, at a minimum, (i) a fee of no more than \$10.00 per 100 Securities for the surrender of the Telebras HOLDRs and (ii) a fee of no more than \$.02 per Security per year for acting as custodian.

Subject to certain terms, conditions and limitations set forth in the Deposit Agreement, the Depositary may execute and deliver Telebras HOLDRs prior to the receipt of the Securities (a "Pre-Release") and deliver the Securities upon the receipt and cancellation of the Telebras HOLDRs which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such Telebras HOLDR has been Pre-Released. The Depositary may receive Telebras HOLDRs in lieu of the Securities in satisfaction of a Pre-Release. The number of Telebras HOLDRs which are outstanding at any time as a result of Pre-Releases will not normally exceed thirty percent (30%) of the Securities deposited; *provided, however*, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate.

While the Telebras Shares do not give the holders thereof any voting rights, if in the future the Telebras Shares do give voting rights or if the Spin-Off Company ADSs give the holders thereof voting rights, then the Depositary may, at its election, upon notice of any meeting of the holders of the Securities, mail a notice to the Owners that, subject to certain terms and conditions set forth in the Deposit Agreement, will state the business of such meeting and permit the Owners to instruct the Depositary as to the exercise of such voting rights, which instruction the Depositary will cause to be honored, as far as practicable. If the Owners fail to instruct the Depositary in response to such notice, then subject to certain limitations a discretionary proxy will be given to a person designated by the issuer of the Telebras Shares to exercise the voting rights of the Securities; *provided*, that, among other things and subject to certain terms and conditions set forth in the Deposit Agreement, in the absence of an instruction from the Owners, no voting rights with respect to the Securities will be given with respect to matters that materially and adversely affect the rights of the Owners.

The form of the Telebras HOLDR and any provisions of the Deposit Agreement may be amended at any time without the consent of the Owners. Any amendment that imposes or increases any fees or charges, subject to certain exceptions, or that otherwise prejudices any substantial existing right of the Owners will not become effective until 30 days after notice of such amendment is given to the Owners.

The Depositary may terminate the Deposit Agreement by mailing notice of such termination to the Owners if 60 days have passed after the Depositary has delivered to the Owners a written notice of its election to resign and no successor has been appropriately appointed. Upon such termination, the Owners will surrender the Telebras HOLDRs as provided in the Deposit Agreement, including paying any fees of the Depositary or applicable taxes or governmental charges due in connection with delivery to such Owners of the Securities.

The Deposit Agreement and the Telebras HOLDRs will be governed by the laws of the State of New York. The Deposit Agreement will be provided to any Owner free of charge upon request made to the Depositary.

## OTHER CONSIDERATIONS

The Deposit Agreement provides that the Telebras HOLDRs may represent all 12 of the Spin-Off Company ADSs, whether or not such Spin-Off Company ADSs are listed on the NYSE. Either during the Deposit Period or after the Telebras HOLDRs are issued and begin trading on the NYSE on or about July 28, 1998, spin-offs



insurance companies, dealers in securities, tax-exempt organizations, persons subject to the alternative minimum tax and persons holding the Telebras HOLDRs as part of a conversion transaction. Because this is a general summary, each holder of Telebras Shares is advised to consult their own tax advisor with respect to the deposit of such Telebras Shares and the receipt of Telebras HOLDRs.

#### ***Deposit of Telebras Shares***

The Deposit Agreement provides for the issuance of the Telebras HOLDRs evidencing Telebras Shares and, upon the occurrence of the transactions contemplated by the Telebras reorganization plan, as discussed below, the Spin-Off Company ADSs of each of the Spin-Off Companies. For U.S. federal income tax purposes, U.S. Holders of the Telebras HOLDRs will be treated as the owners of the Securities represented by such Telebras HOLDRs and the deposit of Telebras Shares and receipt of the Telebras HOLDRs will not be a taxable event. Thus, the U.S. federal income tax consequences of owning Telebras HOLDRs (including taxation of dividends and the tax treatment of disposing of the Telebras HOLDRs) will not differ from those associated with owning the Securities represented thereby and U.S. Holders will not be subject to U.S. federal income tax as a result of depositing their Telebras Shares and receiving Telebras HOLDRs.

Telebras has announced a plan of reorganization pursuant to which it will spin-off the Spin-Off Companies. U.S. Holders should note that ownership of Telebras HOLDRs will not change the tax consequences of such spin-off transactions. Thus, U.S. Holders may be subject to tax upon the occurrence of such transactions. U.S. Holders should consult their tax advisors regarding the tax consequences of any such transactions.

#### ***Coordination Fee and Custodian Fee***

The Coordination Fee payable to the Coordinator will be treated as part of the cost of the Telebras HOLDRs and should be included in a U.S. Holders' tax basis in such Telebras HOLDRs. Thus, such amount will not be allowed as a deductible expense, but instead, will reduce the amount of gain or increase the amount of loss upon a taxable disposition of the Telebras HOLDRs.

The annual Custodian Fee payable to The Bank of New York, as custodian, will be treated as an expense incurred in connection with a U.S. Holder's investment in the Telebras HOLDRs. In general, an individual may deduct as an itemized deduction, subject to the 2% floor discussed in the next sentence, ordinary and necessary expenses, including custodian fees, paid or incurred during the tax year in connection with investments held by such individual. An individual is allowed itemized deductions, except as specifically provided for by the Internal Revenue Code of 1986, as amended (the "Code"), only to the extent that the aggregate of such deductions exceeds 2% of the individual's adjusted gross income for the tax year. Custodian fees are not listed in the Code as an expense excepted from the 2% floor. Thus, such amount is deductible and, for an individual U.S. Holder, allowed as a deduction only to the extent that the aggregate of the Custodian Fee and all other itemized deductions of such individual U.S. Holder exceeds 2% of such holder's adjusted gross income for the tax year. In addition, the Deposit Agreement provides that the Custodian Fee will be directly deducted from any dividends paid on each Telebras HOLDR. A U.S. Holder of Telebras HOLDRs must include in income the full amount of dividends paid on each Telebras HOLDR even though the Custodian Fee will be directly deducted from such dividends.

may occur in which the Spin-Off Company is not listed on the NYSE, either as the result of such Spin-Off Company or as a result of such Spin-Off Company failing to meet the listing requirements of the NYSE.

If that occurs, relief from the Securities and Exchange Commission will be sought to permit such unlisted Spin-Off Company ADSs to continue to be represented by the Telebras HOLDERS. While such relief is being sought, it is expected that, subject to certain limitations, such Spin-Off Company ADSs will continue to be represented by the Telebras HOLDERS. If such relief is not granted, it may be determined that (i) the Telebras HOLDERS should be listed for trading on another securities exchange or on NASDAQ or (ii) such Spin-Off Company ADSs will no longer be represented by the Telebras HOLDERS. In the event that Telebras HOLDERS are not listed on the NYSE, the liquidity of the Telebras HOLDERS may be diminished and their volatility may be increased. This may reduce certain of the expected advantages of the Telebras HOLDERS. In event that the securities of certain Spin-Off Companies are excluded from the Telebras HOLDER traded on the NYSE, Owners will receive such Spin-Off Company ADSs and will own them in addition to the Telebras HOLDERS. Telebras HOLDERS that no longer represent all of the Spin-Off Company ADSs may no longer offer some or all of the benefits to the owners thereof that were offered by Telebras HOLDERS representing all of the Spin-Off Company ADSs, or such benefits may be significantly reduced. See "What are the Benefits of HOLDERS?" herein.

The Deposit Agreement provides that the Depositary will use its reasonable efforts to ensure that it distributes any cash distributions payable in respect of any Securities no later than the end of the calendar quarter following the calendar quarter in which the Depositary receives such cash distribution. Therefore, Owners may receive such cash distributions substantially later than they would have had they owned the Securities directly. As a result, the Owners will not have such cash distributions available to them and will not be entitled to receive interest in respect thereof during that period of time beginning when the Depositary receives such cash distribution and ending when the Depositary distributes such cash to the Owners.

The Telebras HOLDER is an American Depositary Receipt designed to represent the Securities, and to provide certain advantages to the Owners with respect to liquidity and volatility. See "What are the Benefits of HOLDERS?" herein. However, the Telebras HOLDERS are not expected, and are not intended, to provide protection with respect to any of the risks associated with owning a company whose operations and customers are located in Brazil. Due to the fact that all of Telebras' operations and customers are located in Brazil, its financial conditions and results of operations are substantially dependent on economic conditions prevailing from time to time in Brazil, particularly in those sectors of the economy in which Telebras' business is focused. In past years, the Brazilian economy has been characterized by frequent and occasionally drastic intervention by the Brazilian Government, including changes in monetary, credit, tariff and other policies to influence the course of Brazil's economy. The Brazilian Government's actions to implement macroeconomic policies have often involved wage and price controls. Changes in policy effected through such controls could adversely affect Telebras' business and financial results, as could inflation currency devaluation, social instability and other political, economic or diplomatic developments and the Brazilian Government's response to such developments. Nothing contained in this Information Circular is intended to be, or should be viewed as, advice regarding investing in Telebras. The disclosure contained herein is intended solely to provide information to existing owners of Telebras Shares about Telebras HOLDERS. If you wish to know more about Telebras itself, please conduct your own investigation, which may include reviewing publicly available information regarding Telebras and/or consulting with any experts or advisors you deem necessary and appropriate.

## CERTAIN INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax considerations relating to the deposit of Telebras Shares with the Depositary and the receipt of Telebras HOLDERS pursuant to the Deposit Agreement by (i) a citizen or resident of the United States; (ii) a corporation or partnership created or organized in the United States or under the laws of the United States; (iii) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust (a "U.S. Holder"). This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to deposit Telebras Shares. In particular, this summary deals only with U.S. Holders that will hold Telebras HOLDERS as capital assets and generally does not address the tax treatment of U.S. Holders that may be subject to special rules such as banks,